

The importance of client investment suitability

Speaking at Hubbis' Malaysian Wealth Management Forum 2017 in July – Steven Seow of Mercer explains how finding the right clients and matching them with the right investments at the right time is a science, not an art.

In essence, client investment suitability is about doing the right thing for clients, believes Steven Seow, head of wealth management for Mercer in Asia – which should translate into selling the right product at the right time to the right individual, based on his or her needs and risk profile.

This requires a profiling process to understand the client's risk appetite, including their loss tolerance and salient points, he explains.

Then it is possible to find the right product, which aligns with this individual's risk profile.

The time component is also a crucial factor, adds Seow, given the need to bring together the various elements at the right time. To make client risk profiling meaningful, however, wealth managers need to be able to articu-

late what the exercise will be used to achieve.

For example, says Seow, parts of a profile can be explained to a client to highlight the fact that although capital growth might be the main aim, there will also be an element of fluctuation.

Once a client is on the same page, there is then the basis for a conversation to identify an appropriate investment.

Wealth managers should also view this approach as not just something to meet regulatory requirements – but also as part of building a relationship with the client.

At Mercer, he explains that the firm assesses the client risk appetite based on two factors: the willingness to take risk, and the capacity to take risk – with both being equally important. ■



STEVEN SEOW
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